



Bos' Optimal Solutions, LLC

When the "BOSS" needs help;
They ask this "BOS"

BOOKKEEPING TERMINOLOGY

Here is a list and definitions of key bookkeeping terminology that small business owners should know and recognize.

1. **Assets** - Assets are the things the business owns.
2. **Cash Account** – This is the cash on hand and cash on banks
3. **Accounts Receivable** – This is the money to be collected from customers
4. **Inventory** – These are the products not yet sold, which business owners should always keep track of.
5. **Fixed Assets** – Large items (equipment) that a business owner will be depreciating
6. **Liabilities** – Current and Long-Term Liabilities are what the business owes over a given period.
7. **Accounts Payable** – This is what the business owes to its suppliers.
8. **Loans Payable** – This account keeps track of the current and non-current loans the business incurred.
9. **Equity/Owners Equity** - Equity refers to the ownership of the business owners and investors in the company. Assets - Liabilities
10. **Single-Entry Bookkeeping** - In single-entry bookkeeping, you record earnings and expenses upon incurring them.
11. **Double - Entry Bookkeeping** In this system, each transaction has at least two entries: debit and credit.
12. **Cash Basis of Accounting** - you record each transaction whenever cash changes hands.
13. **Accrual Basis of Accounting** - Here, sales and purchases are immediately recorded even if there is no exchange of cash involved until a later time.
14. **Balance Sheet** - A financial report that summarizes a company's assets (what it owns), liabilities (what it owes) and owner or shareholder equity, at a given time.
15. **Income Statement**. This covers the revenue, costs, and expenses of the business.
16. **Revenue** refers to all the income that comes into the business after selling products and services.
17. **Costs** are also known as cost of goods sold (COGS). This refers to the money spent to purchase or manufacture the products or services the business sells.
18. **Expenses** refer to the money used to run the business but aren't related to products or services.
19. **Retained Earnings** - any profit the company makes that isn't paid out to owners and investors.
20. **Accounts receivable**: The amount of money owed by customers or clients to a business after goods or services have been delivered and/or used.

- 21. **Accounts payable:** The amount of money a company owes creditors (suppliers, etc.) in return for goods and/or services they have delivered.
- 22. **Cash flow:** The revenue or expense expected to be generated through business activities (sales, manufacturing, etc.) over a period of time.
- 23. **Credit:** An accounting entry that may either *decrease* assets or *increase* liabilities and equity on the company's balance sheet, depending on the transaction.
- 24. **Debit:** An accounting entry where there is either an *increase* in assets or a *decrease* in liabilities on a company's balance sheet.
- 25. **Fixed expenses:** payments like rent that will happen in a regularly scheduled cadence.
- 26. **Variable expenses:** expenses, like labor costs, that may change in a given time period.
- 27. **Accrued expense:** an incurred expense that hasn't been paid yet.
- 28. **Operation expenses:** business expenditures not directly associated with the production of goods or services—for example, advertising costs, property taxes or insurance expenditures.
- 29. **Profit and loss statement (P&L):** A financial statement that is used to summarize a company's performance and financial position by reviewing revenues, costs and expenses during a specific period of time, such as quarterly or annually. Also known as an Income Statement
- 30. **Accounting period:** The period in which financial information is tracked, most commonly monthly, quarterly, or yearly.
- 31. **Bank reconciliation:** The process of comparing a company's bookkeeping records to the information on the company's bank statement.
- 32. **Depreciation:** Depreciation is an accounting method used to track the aging and use of assets.